

# Inspector General

United States  
Department of Defense



Oversight of the U.S. Air Forces Central  
War Reserve Materiel Contract

Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE <b>28 MAY 2010</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2010 to 00-00-2010</b>	
4. TITLE AND SUBTITLE <b>Oversight of the U.S. Air Forces Central War Reserve Materiel Contract</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Department of Defense Inspector General, 400 Army Navy Drive (Room 801), Arlington, VA, 22202-4704</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>34</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

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## Acronyms and Abbreviations

AFCENT	Air Forces Central
AFRB	Award Fee Review Board
AMIC	Acquisition Management and Integration Center
CAR	Corrective Action Request
CLIN	Contract Line Item Number
DCAA	Defense Contract Audit Agency
FAR	Federal Acquisition Regulation
FDO	Fee Determining Official
IPMP	Integrated Performance Management Plan
MOU	Memorandum of Understanding
PWS	Performance Work Statement
QAE	Quality Assurance Evaluator
SSET	Source Selection Evaluation Team
WRM	War Reserve Materiel



INSPECTOR GENERAL  
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May 28, 2010

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Oversight of the U.S. Air Forces Central War Reserve Materiel Contract  
(Report No. D-2010-066)

We are providing this report for information and use. This audit was conducted pursuant to the requirements of Public Law 110-181, the FY 2008 National Defense Authorization Act, section 842. We considered management comments on a draft of the report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments. As a result of management comments and additional audit work, we deleted draft Recommendations B.3.d and B.4.b. Draft Recommendation B.4.a was renumbered as Recommendation B.4.

We appreciate the courtesies extended to the staff. Please direct questions to Jacqueline Wicecarver at (703) 604-9077 (DSN 664-9077).

A handwritten signature in black ink, reading "Bruce A. Burton", is positioned above the printed name.

Bruce A. Burton  
Deputy Assistant Inspector General  
Acquisition and Contract Management





# Results in Brief: Oversight of the U.S. Air Forces Central War Reserve Materiel Contract

## What We Did

The audit objective was to determine whether Air Force officials awarded and were providing oversight of the U.S. Air Forces Central (AFCENT) War Reserve Materiel (WRM) contract (FA4890-08-C-0004) in accordance with Federal and DOD policies.

## What We Found

Acquisition Management and Integration Center (AMIC) officials properly awarded the \$419 million WRM contract and improved management of the new WRM contract. However, AMIC and AFCENT needed a formal structure to address the following problems.

- AMIC and AFCENT did not have a formal agreement that clearly defined the roles, responsibilities, and accountability of AMIC and AFCENT personnel regarding the WRM program because AMIC and AFCENT personnel could not agree on language describing program management and functional area roles, responsibilities, and accountability.
- AMIC and AFCENT did not develop written standard operating procedures for the WRM program's internal control processes. AFCENT officials lacked defined processes while ineffectively managing the former WRM contract and had no formal processes for the new contract. This occurred because AMIC officials did not foresee the need to formalize the processes to ensure continuity.

These problems could later result in delayed WRM requirements execution, ineffective quality assurance surveillance, and failure in other internal control processes.

During the base year of the WRM contract, the total estimated contract value increased by approximately \$24 million (6 percent) because

of fluctuations in WRM requirements. Troop withdrawals in Iraq and troop surges in Afghanistan could cause the estimated contract value to exceed the scope of the original competition, requiring AMIC to recompet the contract.

## What We Recommend

We recommend the Commander, Air Combat Command, direct AMIC and AFCENT officials to execute a formal, written memorandum of understanding that defines roles, responsibilities, and accountability of the two organizations regarding the WRM program. We recommend the Director of Logistics, AFCENT, and the Director, AMIC, Air Combat Command, develop and implement written standard operating procedures formalizing each organization's internal control processes. We recommend that the Director, AMIC, Air Combat Command, develop internal controls to identify scope changes and ensure that significant proposed alterations to the WRM contract are reviewed as potential scope changes.

## Management Comments and Our Response

Comments from the Commander, Air Combat Command; the Commander, AFCENT; the Director, AMIC, Air Combat Command; and the Director of Logistics, AFCENT were responsive and met the intent of the recommendations. Therefore, we do not need additional comments. Please see the recommendations table on the back of this page.

## Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Air Combat Command		B.1
Commander, U.S. Air Forces Central		B.2
Director, Acquisition Management and Integration Center, Air Combat Command		B.3
Director of Logistics, U.S. Air Forces Central		B.4

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# Introduction

## Objective

The audit objective was to determine whether Air Force officials awarded and were providing oversight of the U.S. Air Forces Central (AFCENT) War Reserve Materiel (WRM) contract (FA4890-08-C-0004) in accordance with Federal and DOD policies. See the Appendix for a discussion of the scope and methodology and prior coverage.

## Background

AFCENT used the WRM contract to provide support for deployed forces in the AFCENT area of responsibility by pre-positioning, maintaining, reconstituting,<sup>1</sup> and deploying WRM needed for operational plans and contingencies. WRM storage and maintenance locations included Seeb, Oman; Thumrait, Oman; Salalah Port, Oman; Al Udeid Air Base, Qatar; Al Jaber, Kuwait; Al Dhafra, United Arab Emirates; and Manama, Bahrain. Pre-positioned WRM included basic expeditionary airfield resources, medical supplies, munitions, vehicles, and aerospace ground equipment.

The former WRM contract (F44650-00-C0006) was originally scheduled to end on September 30, 2006; however, the contract was extended through September 30, 2008, to conduct a thorough source selection for the new WRM contract (FA4890-08-C-0004). AFCENT managed the former WRM contract (F44650-00-C0006) with DynCorp, International (DynCorp), which ended on September 30, 2008. The DOD Inspector General issued report D-2009-108, “U.S. Air Forces Central War Reserve Materiel Contract,” on September 23, 2009, finding that AFCENT officials did not effectively manage or administer the former WRM contract (F44650-00-C0006). Air Force officials transferred solicitation and contract management responsibilities for the new WRM contract (FA4890-08-C-0004) from AFCENT to the Air Force’s Air Combat Command Acquisition Management and Integration Center (AMIC) in September 2006. AMIC provides strategic acquisition management for the Air Combat Command through integrated program management and contract support.

AMIC is responsible for the administration and management of the new WRM contract. AMIC contracting personnel awarded the WRM contract to DynCorp in June 2008 for the receipt, inventory, maintenance, repair, periodic inspection and testing, servicing, marking, storage, security, shipping, and reporting of WRM. The WRM contract was awarded as a hybrid firm-fixed-price and cost-plus-award-fee contract for a base year from October 1, 2008, through September 30, 2009, and 7 additional option years with a total estimated value of \$419 million.

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<sup>1</sup> Air Force Instruction 25-101, “War Reserve Materiel (WRM) Program Guidance and Procedures,” May 2, 2005, defines reconstitution as measures taken to bring required resources together in appropriate quantities to restore effective U.S. Air Force operational force or support function after being used.

The WRM contracting officer and program manager were both located at AMIC in Newport News, Virginia. AFCENT, located at Shaw Air Force Base, South Carolina, was the customer for the WRM contract and retained operational control of the WRM program. Additionally, quality assurance evaluators (QAEs) located at the Executive Coordinating Agency in Muscat, Oman, and Al Udeid Air Base, Qatar, performed quality assurance actions on the WRM contract. QAEs were assigned to and managed by AFCENT; however, AMIC had program and contract accountability and was responsible for the Government quality assurance process.

## **Review of Internal Controls**

We identified internal control weaknesses in the WRM contract as defined by DOD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. Although Air Force officials improved WRM contract management, they did not have a formal agreement that defined roles and responsibilities of AMIC and AFCENT personnel regarding the WRM program. Additionally, AMIC and AFCENT had not developed written standard operating procedures that formalized each organization's internal control processes for the WRM program. Implementing all the recommendations in this report will improve administration and oversight of the new WRM contract, as well as AMIC's and AFCENT's controls. We will provide a copy of this report to the senior official responsible for internal controls in the Department of the Air Force.

## **Finding A. Improved Management of the New War Reserve Materiel Contract**

AMIC officials awarded and were providing oversight of the \$419 million WRM contract in accordance with Federal and DOD policies. Specifically, AMIC officials appropriately conducted the WRM contract source selection. In addition, AMIC officials improved contract management<sup>2</sup> through:

- procedures to properly assess and document contractor performance; and
- steps to ensure that WRM requirements were valid and appropriately priced, funding was properly committed and obligated to the WRM contract, and invoices were consistent with the work the contractor performed.

### **Source Selection and Contract Award**

AMIC officials conducted the WRM contract source selection process in accordance with Federal and DOD policies and awarded the WRM contract to the highest rated offeror based on the four proposal evaluation factors listed in the WRM solicitation. The WRM acquisition plan stated that full and open competition would be used to award the WRM contract and that the Government expected adequate price competition. AMIC officials awarded the WRM contract to the offeror that they determined represented the best value to the Government.

AMIC contracting personnel solicited the WRM contract as a competitive, best value source selection. In August 2007, AMIC contracting personnel issued the WRM solicitation, FA4890-07-R-0014, for WRM support. Five offerors submitted proposals, and, after initial proposal evaluations, the source selection authority established a competitive range that included the most highly rated proposals.<sup>3</sup>

The Source Selection Evaluation Team (SSET) conducted proposal evaluations in three phases: initial evaluation, interim evaluation, and final evaluation. During the initial evaluation phase, the SSET evaluated the offerors' proposals, established the initial ratings for each offeror, and issued evaluation notices to offerors.<sup>4</sup> During the interim evaluation phase, the SSET evaluated the offerors' responses to the evaluation notices, adjusted the initial ratings based on those responses, and requested final proposal revisions from the offerors. During the final evaluation phase, the SSET evaluated the offerors' final proposal revisions, established the final ratings, and recommended awarding the contract to DynCorp based on a comparative analysis of the final ratings.

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<sup>2</sup> See DOD Inspector General report D-2009-108 for findings pertaining to the management of the former WRM contract.

<sup>3</sup> Competitive range determinations are source selection information and, therefore, we are not disclosing the number of offerors included in the competitive range.

<sup>4</sup> The SSET issued evaluation notices to the offerors to obtain further information regarding areas that the SSET could not evaluate because the offerors' proposals were not clear.

## Quality Assurance

AMIC personnel implemented procedures to properly assess and document DynCorp's performance on the WRM contract. Federal Acquisition Regulation (FAR) Part 46, "Quality Assurance," requires that services acquired under a Government contract conform to the contract's quality and performance requirements. Additionally, Air Force Instruction 63-124, "Performance Based Service Contracts," August 1, 2005, requires that a performance plan identify strategies, methods, and tools for assessing the contractor's performance against the performance thresholds and measurements in the contract. The quality assurance process developed by AMIC provided procedures to ensure that the services acquired under the WRM contract conformed to the contract's quality and performance requirements, as required by FAR part 46. The methods used to assess DynCorp's performance against performance thresholds and measurements were identified in the contract's Performance Work Statement (PWS) and were integrated into the contract's Integrated Performance Management Plan (IPMP) and surveillance techniques, in accordance with Air Force Instruction 63-124.

### **Quality Assurance Process**

The AMIC quality assurance division created an IPMP for the WRM contract that defined surveillance policies, procedures, and methods for planning and performing contract surveillance and analyzing data to report on contractor performance. The IPMP provided a surveillance method for each service identified in the WRM PWS. QAE surveillance methods were based on contract requirements, and the WRM PWS dictated the type of surveillance techniques required.

The AMIC contracting officer appointed a Flight Chief of Quality Assurance, a Senior QAE, and 11 QAEs to the WRM contract. The Flight Chief of Quality Assurance was responsible for overseeing and performing quality assurance surveillance and scheduling QAE surveillance inspections. The Senior QAE was responsible for providing training and oversight of QAEs and coordinating contractor support for U.S. Central Command<sup>5</sup> responses to contingencies, exercises, and wartime outloads.<sup>6</sup> QAEs were responsible for:

- planning, scheduling, coordinating, and performing inspections;
- verifying performance and compliance with contract terms;
- analyzing data and documenting inspection findings; and
- writing inspection reports.

QAEs gathered and analyzed evidence during surveillance audits to determine whether DynCorp complied with contract requirements, quality objectives, and standards. QAEs were performing three types of surveillance audits: group, team, and desktop. During a

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<sup>5</sup> The AFCENT WRM contract provided support for the U.S. Central Command.

<sup>6</sup> Wartime outloads refer to removing WRM from storage and preparing it for use by ensuring WRM serviceability, updating inventory records, arranging transportation to the user location, and assisting Government personnel with setup at locations other than WRM storage sites.

group audit, all QAEs responsible for commodities at a particular WRM storage site met there to conduct a large audit of all of the site's commodities. Group audits occurred four times per year at the major WRM storage sites.<sup>7</sup> A team audit was similar, but involved a smaller group of QAEs. During a desktop audit, a QAE logged onto an online system to verify that DynCorp was providing Contract Data Requirements Lists and other reports in accordance with the PWS. Each QAE conducted three to four audits each month; the audits were a combination of group audits, team audits, and desktop audits.

The methods used to assess DynCorp's performance against performance thresholds and measurements were identified in the contract's PWS and integrated into the contract's IPMP and surveillance techniques, in accordance with Air Force Instruction 63-124. To accomplish contract surveillance, QAEs used master checklists, DynCorp's standard operating procedures and work instructions, DynCorp's quality assurance database and inspection reports, and previous audit reports. The master checklists were linked to the contract's PWS requirements to ensure that DynCorp was performing according to the contract's PWS. For example, PWS section A, paragraph 4.4, "Refurbishment," required that DynCorp provide depot-level maintenance on used WRM vehicles and equipment within 30 days of receipt of the assets. The QAE master checklist included an audit step that required the QAE to verify whether DynCorp was performing depot-level maintenance on used WRM vehicles and equipment within 30 days of receipt of the assets, and the checklist item referenced PWS section A, paragraph 4.4. QAEs created specific audit checklists before conducting an audit by selecting questions and inspection items from the master QAE checklists that were posted on AMIC's training management system online database. The master checklists contained audit steps that connected required performance standards in the PWS to specific inspection methods to determine whether DynCorp was meeting the contract requirements.

The WRM contract quality assurance process provided procedures to ensure that the services acquired under the WRM contract conformed to the contract's quality and performance requirements, as required by FAR part 46, by basing QAE surveillance methods on contract requirements and incorporating the methods into the contract's IPMP.

### ***Quality Assurance Products***

AMIC personnel implemented steps to properly document DynCorp's performance on the WRM contract. QAEs created audit reports, monthly activity reports, and executive summaries. QAEs captured the results of each audit in an audit report summarizing the number of findings for that audit, including both minor and major nonconformances. The audit reports addressed each WRM commodity, and the results of the QAE inspections were listed by commodity. Each month, the Flight Chief of Quality Assurance compiled the results of all QAE audits into a monthly activity report and submitted the report to AMIC. Additionally, the Flight Chief of Quality Assurance prepared an executive summary each month that listed the number of audit findings, corrective action requests

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<sup>7</sup> Major WRM storage locations are in Seeb, Oman; Masirah, Oman; Thumrait, Oman; Al Udeid Air Base, Qatar; and Manama, Bahrain.

(CARs) issued, and QAE comments for that month. All these quality assurance products provided the basis of AMIC's objective evaluation of DynCorp's contractual performance during the award fee period.

When contract performance fell below the contract standards, QAEs classified the discrepancy as a minor or major nonconformance. A minor nonconformance was one that did not adversely affect the WRM mission, safety of personnel and equipment, performance, schedule, or cost. A major nonconformance adversely affected the WRM mission, safety of personnel and equipment, performance, schedule, or cost. The AMIC contracting officer issued CARs to communicate major nonconformances to the contractor. During the base year of the contract, the AMIC contracting officer issued 32 CARs to DynCorp for major contract nonconformances. DynCorp satisfactorily resolved the issues identified in 18 of the CARs. As of January 2010, DynCorp had responded to the remaining 14 CARs; however, AMIC personnel had requested revised corrective action plans or were waiting to validate the corrective action plans during upcoming surveillance audits. Each CAR specified the contract nonconformity and included excerpts from the PWS detailing the section of the contract that DynCorp failed to follow.

AMIC personnel implemented procedures to properly assess and document DynCorp's performance on the WRM contract. AMIC personnel developed a quality assurance process that encouraged a high level of contractor performance by implementing procedures to ensure that the services acquired under the WRM contract conformed to the contract's quality and performance requirements. Further, the methods AMIC and AFCENT used to assess DynCorp's performance against performance thresholds and measurements were identified in the contract's PWS and integrated into the contract's IPMP and surveillance techniques to ensure that contractor performance aligned with WRM mission objectives.

## **AMIC and AFCENT Review Processes**

AMIC personnel took steps to ensure that WRM requirements were valid and appropriately priced, funding was properly committed and obligated to the WRM contract, and invoices were consistent with the work the contractor performed. We interviewed AMIC and AFCENT personnel to identify existing internal controls. We also reviewed documentation supporting four requirements added to the WRM contract, valued at approximately \$14 million, to verify that officials applied the internal controls when executing these requirements.

### ***Requirements Review Process***

AMIC and AFCENT personnel took steps to ensure that WRM requirements were valid and appropriately priced. AFCENT WRM requirements and contract workload continuously change because of the volatility in the AFCENT area of responsibility. As a result, AFCENT personnel may identify new WRM requirements. Furthermore, DynCorp may propose new requirements and submit the requirements for Government approval.

AMIC and AFCENT personnel took steps to ensure that new WRM requirements were valid before executing them through contract modifications. Specifically, AFCENT functional personnel created statements of work and independent Government cost estimates when AFCENT identified new WRM requirements. The AFCENT WRM officer and the AFCENT Deputy Director of Logistics were responsible for approving and submitting new requirements to AMIC to be executed through contract modifications. The AMIC contracting officer verified that new requirements were within the scope of the contract and requested proposals from DynCorp to execute the requirements. Both AFCENT and AMIC functional personnel reviewed DynCorp's proposals to verify that DynCorp accurately understood the requirements and to determine whether the proposals appropriately addressed all portions of the statements of work. In addition, when DynCorp identified new requirements and submitted proposals for Government approval, AFCENT functional personnel reviewed the proposals to determine whether they contained valid AFCENT requirements. If DynCorp's proposals were unclear, AFCENT and AMIC personnel requested clarification from DynCorp and revised technical proposals to ensure the proposals met AFCENT's needs for the WRM program.

AMIC and AFCENT personnel also ensured that new WRM requirements were appropriately priced when executed through a contract modification. After DynCorp submitted cost proposals to AMIC, the AMIC cost analyst compared DynCorp's proposed prices with independent Government cost estimates created by AFCENT to determine whether the proposed prices were reasonable. Furthermore, the AMIC cost analyst reviewed DynCorp's cost proposals to:

- determine whether the costs were mathematically correct,
- determine whether the indirect rates presented by DynCorp were accurate, and
- verify that costs were in line with DynCorp's technical proposals.

AMIC personnel requested clarification and revised cost proposals from DynCorp to ensure that the cost proposals served as a basis for fair and reasonable prices. AMIC personnel conducted negotiations and documented the negotiations in price negotiation memoranda when the AMIC contracting officer determined that negotiations were needed to obtain fair and reasonable prices.

### ***Contract Funding Process***

AMIC and AFCENT personnel took steps to ensure that funding was properly committed and obligated to the WRM contract. FAR Subpart 32.7, "Contract Funding," requires the contracting officer to obtain written assurance from the responsible fiscal authority that adequate funds are available before executing any contract. The AMIC contracting officer obtained written assurance of funds from AFCENT and AMIC analysts to ensure that funds were available before executing a new requirement through a contract modification, in accordance with FAR subpart 32.7. Specifically, once AFCENT identified a new requirement, the AFCENT budget analyst determined whether funds were available using the amount identified in the independent Government cost estimate provided by AFCENT personnel. The AFCENT budget analyst then created a



Form AF 616, “Fund Cite Authorization,” and obtained approval from an Air Force accounting officer to commit funds for the required amount and transfer the funds from AFCENT to AMIC. The AMIC budget analyst then created a Form AF 9, “Request for Purchase,” to commit the required funding amounts for the WRM contract. The AMIC contracting officer ensured that the AMIC budget analyst issued a Form AF 9 before obligating the funds to the WRM contract.

### ***Invoice Review Process***

AMIC personnel also took steps to ensure that invoices were consistent with the work the contractor performed. AMIC personnel reviewed DynCorp invoices before DynCorp submitted them to the Defense Contract Audit Agency (DCAA) for approval. In addition, AMIC maintained effective communication with DynCorp regarding issues arising from invoice reviews.

In accordance with the WRM contract, DynCorp submitted monthly draft invoices by contract line item number (CLIN) to AMIC personnel before submitting the invoices to DCAA for formal review. AMIC personnel ensured the invoices were technically consistent with the work performed and were approved by AMIC personnel before DynCorp submitted the invoices to DCAA. In addition, AMIC personnel reviewed QAEs’ certification of services to determine whether the services were performed. After approving DynCorp’s invoices, AMIC personnel notified DynCorp to send the invoices to DCAA for approval.

AMIC personnel also conducted monthly meetings to resolve Government invoicing concerns and conducted two financial meetings to clarify billing procedures and resolve systemic billing problems for the WRM contract. Furthermore, AMIC tracked all WRM contract amounts using a detailed spreadsheet that recorded the contract value, the funded amount, the invoiced amount, and the expended amount of each CLIN.

In addition to AMIC’s invoice oversight, DCAA reviewed DynCorp invoices. Specifically, DCAA performed pre-payment and post-payment reviews of DynCorp invoices based on DCAA’s approved sampling plans. A pre-payment review verified that the invoices were adequate and costs were allowable before Government payment. A post-payment review of invoices encompassed all the steps in pre-payment reviews and involved DCAA auditors reviewing each billed line item in detail. DCAA determined that the WRM contract was a high-risk Government contract and was therefore subject to increased invoice reviews and audits in addition to DCAA’s scheduled audits to ensure invoices were accurate.

### **Conclusion**

After solicitation and post-award management responsibilities for the WRM contract were transferred from AFCENT to AMIC, AMIC personnel improved WRM contract management. Specifically, AMIC personnel ensured that QAEs properly assessed and documented the contractor’s performance. AMIC personnel also took steps to verify WRM requirements and to ensure that DOD obtained services at fair and reasonable prices. Therefore, we are not making recommendations for this finding.

## **Finding B. Roles, Responsibilities, and Accountability**

Air Force officials did not have a formal agreement that defined roles, responsibilities, and accountability of AMIC and AFCENT personnel regarding the WRM program and contract execution because AMIC and AFCENT personnel could not agree on language describing program management and functional area roles, responsibilities, and accountability. Furthermore, AMIC and AFCENT officials had not developed written standard operating procedures that formalized each organization's internal control processes for the WRM program. AFCENT officials lacked defined processes while ineffectively managing the former WRM contract and had no formal processes for the new contract. Although AMIC officials developed effective informal processes, they did not foresee the need to formalize the processes to ensure continuity. The disconnects on roles, responsibilities, and accountability between AMIC and AFCENT and a lack of written standard operating procedures could later result in delayed WRM requirements execution, ineffective quality assurance surveillance, and failure in other internal control processes. Additionally, accountability for the day-to-day execution of the WRM contract may become uncertain without a formal agreement and written standard operating procedures.

AMIC and AFCENT officials should execute a written memorandum of understanding (MOU) describing each organization's roles, responsibilities, and accountability, and establish written standard operating procedures to formalize the internal control processes being used for the WRM program to improve contract management and ensure that the Air Force provides effective WRM mission support.

In addition, two areas require further monitoring.

- The fee determining official (FDO) failed to adequately document the rationale for a final award fee determination that differed from the Award Fee Review Board's (AFRB's) recommendation during the first award fee period.
- The total estimated contract value increased by approximately \$24 million, or 6 percent, during the base year of the contract because of fluctuations in WRM requirements. Troop withdrawals in Iraq and troop surges in Afghanistan could cause the estimated contract value to exceed the scope of the original competition.

Consequently, the fee determining official should document the rationale for any final award fee determination that differs from the AFRB's recommendation, and AMIC should continue to ensure that all changes to the contract, including changes in contract value, that are determined to be beyond the scope of the original competition are properly competed or justified using a justification and approval for other than full and open competition.

## **Memorandum of Understanding**

Air Force officials did not have a formal agreement that clearly defined the roles, responsibilities, and accountability of AMIC and AFCENT personnel regarding the WRM program and contract. DOD Instruction 4000.19, "Interservice and Intragovernmental Support," requires that broad areas of recurring intragovernmental support and cooperation be documented in an MOU. According to Air Force Instruction 25-201, "Support Agreements Procedures," May 1, 2005, MOUs are used to define general areas of understanding between two or more parties and explain what each party plans to do. MOUs can be used to document mutually agreed upon areas of responsibilities, such as intentions, procedures, and policies for future actions. MOUs are procedural in nature and do not obligate funds or manpower for recurring support.

The relationship between AMIC and AFCENT with regard to the WRM program and contract represents recurring intragovernmental support and cooperation. AFCENT was responsible for \$5.2 billion in pre-positioned WRM assets to support deployed forces in the AFCENT area of responsibility and used the WRM contractor to reduce the time required to get needed supplies to the warfighter. AMIC was responsible for managing the WRM contract, valued at approximately \$419 million, which contained contract requirements that continually changed because of the volatility in the AFCENT area of responsibility. As the customer for the WRM contract, AFCENT developed contract requirements to get needed supplies to the warfighter; AMIC was responsible for putting the requirements on contract and ensuring that the Government obtained the required services at fair and reasonable prices.

WRM contract surveillance, in particular, necessitated recurring intragovernmental support and cooperation between AMIC and AFCENT. According to FAR part 46, the contracting office is responsible for verifying that the contractor fulfills the contract quality requirements. The AMIC contracting officer appointed QAEs to the WRM contract to conduct WRM storage site surveillance and ensure that the contractor complied with the technical requirements of the contract; however, AFCENT retained operational control of QAEs. The QAE reporting chain of command was through the Executive Coordinating Agency Commander and then to the AFCENT Director of Logistics; however, QAEs were required to execute AMIC's quality assurance process and provide audit reports, monthly activity reports, CARs, and executive summaries periodically to AMIC personnel. AFCENT and AMIC had not executed a formal agreement detailing the operational alignment of QAEs.

According to AMIC personnel, they provided a draft MOU to the AFCENT Director of Logistics in March 2009 to define the roles, responsibilities, and accountability of each agency regarding the WRM program and contract. However, as of January 2010, AMIC and AFCENT personnel had not agreed to an MOU. AMIC and AFCENT personnel could not agree on language describing program management and functional area roles, responsibilities, and accountability of QAEs. Although QAEs reported through AFCENT, QAEs performed quality assurance duties delegated by the AMIC contracting officer and were required to submit quality assurance reports to AMIC personnel. Using the quality assurance process implemented by AMIC, AFCENT identified DynCorp

performance deficiencies and communicated the deficiencies to AMIC. However, given the problems identified with AFCENT's management of the former WRM contract with DynCorp, it is imperative that AFCENT and AMIC document the process and formally designate roles, responsibilities, and accountability to minimize risk and ensure that effective quality assurance surveillance continues for the life of the WRM contract.

Without a formal agreement that clearly defines the roles and responsibilities of each agency, the disconnects on roles and responsibilities between AMIC and AFCENT could later result in delayed WRM requirements execution, and accountability for the day-to-day execution of the WRM contract may become uncertain. To ensure that WRM requirements are promptly executed and contract quality assurance surveillance is effective, AMIC and AFCENT should come to an agreement on each organization's roles, responsibilities, and accountability. The Commander, Air Combat Command, should ensure that AFCENT and AMIC reach an agreement.

## **Standard Operating Procedures**

Although AMIC and AFCENT personnel improved WRM contract administration, additional contract oversight improvements are needed to ensure that appropriate contract oversight continues for the life of the contract. AMIC and AFCENT personnel did not have standard operating procedures for the requirements, funding, and invoice review processes. AFCENT officials lacked defined processes while ineffectively managing the former WRM contract and had no formal processes for the new contract. Although AMIC officials developed effective informal processes, they did not foresee the need to formalize the processes to ensure continuity. Unclear procedures could later result in a delay in WRM requirements execution and the approval of deficient contractor invoices. Furthermore, written standard operating procedures that formalize the WRM requirements, funding, and invoicing processes could improve contract oversight.

## **Award Fee Process**

Award fees are mechanisms to motivate the contractor to perform beyond satisfactory work. AMIC officials created an award fee plan that identified measurable outcomes and stated how the contractor's performance would be evaluated, in accordance with DOD guidance. The AFRB was responsible for evaluating the contractor's performance and recommending an award fee amount to the fee determining official (FDO), who made the final determination regarding the amount of award fee earned by the contractor during the evaluation period. However, the FDO did not adequately document the rationale for changing the AFRB recommendation, as required by the Air Force Award Fee Guide, March 2002.

The Under Secretary of Defense for Acquisition, Technology, and Logistics memorandum, "Award Fee Contracts," issued on March 29, 2006, states that award fees should be tied to identifiable outcomes. Additionally, the memorandum states that award fee provisions must clearly explain how a contractor's performance will be evaluated and state that performance that is less than satisfactory is not entitled to any award fee. The WRM award fee plan described specific criteria and procedures for assessing the contractor's performance and determining the amount of award fee earned.

The FDO was responsible for reviewing the recommendation of the AFRB, considering all pertinent data, and determining the final award fee rating and amount for each evaluation period. According to the Air Force Award Fee Guide, when the FDO award fee determination differs from the AFRB recommendation, the rationale should be documented in the official contract file and explained in reference to the award fee plan.

### ***First Award Fee Period***

The FDO did not adequately document the rationale for a final award fee determination that differed from the AFRB recommendation during the first award fee period, a problem that the DOD Office of Inspector General identified during an audit of the former WRM contract.<sup>8</sup> During the first award fee period for the WRM contract, the FDO raised the AFRB's recommended rating in two evaluation areas by a total of 1.5 percent, or \$9,797, resulting in an award fee payment of \$466,155. The FDO issued a memorandum indicating that he changed the AFRB's recommendation "after reviewing the criteria set forth in Annex 2 of the Award Fee Plan." After comparing the criteria contained in the award fee plan with the award fee briefs presented by the AFRB Chairperson to the FDO, we found no clear reason why the FDO raised the ratings in these two evaluation areas. The FDO simply stated that he reviewed criteria in the award fee plan; however, the FDO did not specify which criteria led him to raise the award fee rating, or how he determined the amount of the increased rating. Therefore, the FDO did not adequately document his rationale for changing the AFRB recommendation, as required by the Air Force Award Fee Guide.

Although the use of an award fee introduces some subjectivity in the evaluation of the contractor's performance, the Air Force Award Fee Guide requires that a disciplined approach be used. Documentation should demonstrate that the process set forth in the award fee plan was followed and that the rating recommendations and final determinations were based on actual performance and evaluated according to the award fee plan. By unilaterally changing the AFRB recommendation during the first award fee period without properly documenting the rationale for the change, the FDO may have undermined the award fee process and discouraged the contractor from improving poor performance. In the future, the FDO should reference the award fee plan in explaining the rationale for changing the AFRB recommendation, and document the explanation in the official contract file.

### ***Second Award Fee Period***

AMIC officials implemented the award fee process described in the award fee plan during the second award fee period, and the contractor received no award fee. The WRM award fee plan stated that failure to meet satisfactory contract performance requirements would result in zero award fee for the period. According to the evaluation criteria in the WRM award fee plan, the contractor's failing to manage or control costs within contract projections would result in an unsatisfactory rating in cost management. Further, the

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<sup>8</sup> See Finding E in DOD Inspector General report D-2009-108 for a discussion of this issue.

WRM award fee plan stated that actual costs exceeding estimated costs by a large percentage and inadequate cost documentation would also result in an unsatisfactory rating.

During the second award fee period, the contractor requested additional funds to complete work for the base year of the contract. The WRM contracting officer requested supporting documentation from the contractor multiple times to evaluate the contractor's assertions of cost overruns. According to the WRM contracting officer and WRM program manager, the contractor failed to support a majority of the cost overruns to the satisfaction of the Government, and additional funds for the unsubstantiated cost overruns were not placed on the contract. Further, the contracting officer issued DynCorp 16 CARs against 9 PWS contract standards during the award fee period. This failure to manage or control costs within contract projections and failure to meet contract requirements resulted in the FDO's determination that the contractor did not achieve satisfactory performance in cost management and contract performance. Therefore, the contractor received none of the \$685,186 available in the award fee pool.

When implemented correctly, the award fee process rewards good performance, incentivizes a contractor to improve poor performance, and records the Government's assessment of the contractor's progress. The FDO provided significant motivation for the contractor to improve cost management by following the award fee plan during the second award fee period and by appropriately awarding zero award fee based on the contractor's performance.

## **Contract Scope Changes**

The former WRM contract was awarded with an estimated contract value of \$174 million and ended with a total contract value of \$621 million. During the base year of the new WRM contract, the contracting officer monitored the total estimated contract value, which increased significantly because of fluctuations in WRM requirements. Future changes in the AFCENT contingency environment could increase WRM reconstitution and outload requirements, causing additional increases in the estimated contract value. The dynamic nature of the work performed on the WRM contract, combined with the \$447 million increase on the former WRM contract, represents a risk that the value of the new WRM contract could increase beyond the scope of the original competition.

## **Contract Value**

AMIC contracting personnel awarded the new WRM contract for a total estimated value of approximately \$419 million. The WRM contract consisted of a base year with an estimated value of \$48 million at time of award, and 7 option years with an estimated value of \$371 million at the time of award. During the base year, AMIC contracting personnel issued 24 modifications that increased the total estimated contract value for the base year and all option years by approximately \$24 million, equivalent to 6 percent of the total initial estimated contract value. This included an increase of approximately \$7 million, equivalent to 15 percent, in the estimated value of the base year. The following table shows the WRM contract value changes made during the base year of the contract.

**Changes in Estimated Contract Value**  
**From October 1, 2008, Through September 30, 2009**  
(millions)

<b>Contract Year</b>	<b>Initial Estimated Value as of Oct. 1, 2008</b>	<b>Estimated Value as of Sept. 30, 2009</b>	<b>Change in Estimated Value</b>	<b>Percent Change in Estimated Value</b>
Base Year	\$47.76	\$54.92	\$7.16	15
Option Year 1	49.16	51.69	2.53	5
Option Year 2	50.40	52.77	2.37	5
Option Year 3	51.75	54.07	2.32	4
Option Year 4	53.04	55.43	2.39	5
Option Year 5	54.25	56.70	2.45	5
Option Year 6	55.47	57.98	2.51	5
Option Year 7	56.74	59.29	2.55	5
<b>Total</b>	<b>\$418.57</b>	<b>\$442.85</b>	<b>\$24.28</b>	<b>6</b>

Note: Percent changes are rounded.

On November 17, 2008, representatives from the United States and the Republic of Iraq signed an agreement on the withdrawal of U.S. forces from Iraq, stating that U.S. forces would withdraw from all Iraqi territory by December 31, 2011. Once large numbers of troops begin withdrawing from Iraq, reconstitutable WRM assets currently residing with deployed forces will be returned to the WRM inventory. DynCorp is required to ensure that WRM returned from deployment is inspected, reentered into the recurring maintenance schedule, and configured for storage. As bases in Iraq close, a mass influx of assets from deployed forces could increase WRM reconstitution and maintenance requirements and, consequently, lead to increases in the estimated value of the WRM contract. However, until DOD develops firm plans detailing which bases will be closing and when the bases will close, it is difficult for AFCENT officials to estimate the amount of additional work and the costs of managing WRM.

In December 2009, the President announced that he would send an additional 30,000 U.S. troops to Afghanistan. The increase of U.S. troops in Afghanistan could cause increased WRM outload and reconstitution requirements to ensure that bases are equipped to handle additional troops. Additional WRM outload and reconstitution requirements for the surge in Afghanistan could lead to further increases in the estimated value of the WRM contract.

### ***Determination of Contract Scope***

In *Freund v. United States*, 260 U.S. 60 (1922), the U.S. Supreme Court stated that work performed under a contract falls within the general scope of the contract if it could be “regarded as fairly and reasonably within the contemplation of the parties when the

contract was entered into.” The test employed in determining whether work has been improperly added to a contract was further stated in *American Air Filter Co.*, 57 Comp. Gen. 567, 78-1 CPD para. 443 (1978):

The impact of any modification is in our view to be determined by examining whether the alteration is within the scope of the competition which was initially conducted. Ordinarily, a modification falls within the scope of the procurement provided that it is of a nature which potential offerors would have reasonably anticipated under the changes clause.

To determine what potential offerors would have reasonably expected, consideration should be given, in our view, to the procurement format used, the history of the present and related past procurements, and the nature of the supplies or services sought.

The WRM contracting officer stated that she generally considers a 15- to 20-percent increase in the total estimated contract value to be beyond the scope of the original competition; however, she also considers the nature of the specific procurement and examines whether a proposed contract value increase would have affected the original competition.

According to FAR Part 6, “Competition Requirements,” contracting officers must promote and provide for full and open competition when awarding out-of-scope modifications to existing Government contracts. A justification and approval for other than full and open competition must be issued for every contract action awarded without full and open competition, and it must contain a reference to one of the seven authorities under which the contract was awarded. Therefore, if the estimated value of the WRM contract exceeds the scope of the original competition, the WRM contracting officer must issue a justification and approval for every contracting action that changes the value of the contract or recompetes the entire contract with the expanded scope.

The WRM contracting officer should expect the estimated contract value of the WRM contract to exceed the scope of the original competition as a result of troop withdrawals in Iraq and troop surges in Afghanistan. The total estimated WRM contract value has already increased by 6 percent during the base year, and additional WRM contract requirements likely will be needed. Air Force officials should develop internal controls to identify scope changes and ensure that proposed significant alterations to the contract are reviewed as potential scope changes. If a proposed alteration would result in a change of scope to the contract, Air Force officials should compete or appropriately approve the change in accordance with FAR requirements. This process should be appropriately documented in the contract file.

## **Conclusion**

Contracting for services is especially complex and demands close collaboration between procurement personnel and the customer to ensure that contractor performance meets contract requirements and performance standards. Therefore, AMIC and AFCENT officials should execute an MOU that clearly defines the roles, responsibilities, and



accountability of each organization regarding the WRM program. Further, AMIC and AFCENT officials should develop written standard operating procedures to ensure that effective contract administration actions continue for the life of the WRM contract.

## **Recommendations, Management Comments, and Our Response**

### ***Deleted and Renumbered Recommendations***

As a result of management comments and additional audit work, we deleted draft Recommendations B.3.d and B.4.b. Draft Recommendation B.4.a was renumbered as Recommendation B.4.

**B.1. We recommend that the Commander, Air Combat Command, direct Acquisition Management and Integration Center and U.S. Air Forces Central officials to execute a formal, written memorandum of understanding that defines all roles, responsibilities, and the accountability of the two organizations regarding the War Reserve Materiel program.**

### ***Air Combat Command Comments***

On behalf of the Commander, Air Combat Command, the Director of Installations and Mission Support, Air Combat Command, agreed with the recommendation, stating that the MOU between AMIC and AFCENT was signed on May 6, 2010. The Director stated that the MOU defines roles, responsibilities, and accountability of both organizations regarding the WRM program. Additionally, attached to the MOU are five operating instructions that cover the roles and responsibilities of contracting and program management, funding, quality assurance, logistics, and civil engineering.

### ***Our Response***

The Director's comments were responsive and met the intent of the recommendation. No additional comments are required.

**B.2. We recommend that the Commander, U.S. Air Forces Central, require the fee determining official to reference the award fee plan for contract FA4890-08-C-0004 in documenting the rationale for final award fee determinations that differ from the contract award fee board's recommendations, in accordance with the Air Force Award Fee Guide.**

### ***AFCENT Comments***

The Commander, U.S. Air Forces Central, agreed with the recommendation, stating that the Commander, AFCENT, will require the fee determining official to reference the award fee plan for contract FA4890-08-C-0004 when documenting the rationale for final award fee determinations that differ from the contract award fee board's recommendation.

## ***Our Response***

The Commander's comments were responsive and met the intent of the recommendation. No additional comments are required.

### **B.3. We recommend that the Director, Acquisition Management and Integration Center, Air Combat Command:**

**a. Develop internal controls to identify scope changes and ensure that significant proposed alterations to contract FA4890-08-C-0004 are reviewed as potential scope changes.**

**b. Require the contracting officer to properly compete or approve all changes to contract FA4890-08-C-0004 that are determined to be beyond the scope of the original competition.**

**c. Coordinate with the Director of Logistics, U.S. Air Forces Central, to develop and implement written standard operating procedures for the Acquisition and Management Integration Center that document the requirements review process, the contract funding process, and the invoice review process for contract FA4890-08-C-0004.**

## ***Air Combat Command Comments***

The Director of Installations and Mission Support, Air Combat Command, responded for the Director, Acquisition Management and Integration Center, Air Combat Command, and agreed with the recommendation. The Director stated that all contract changes determined to be beyond the scope of the original competition will be accomplished in accordance with FAR Part 6, "Competition Requirements." The Director indicated that Air Force Federal Acquisition Regulation Supplement 5343.102-90, "Contract Scope Considerations," addresses contract scope and states that contracting officers must assess scope when modifying contracts. The Director also stated that contract actions undergo a review process based on the complexity and dollar value of the contractual action, which is governed by Air Force Federal Acquisition Regulation Supplement 5301.90, "Clearance," and AMIC Standard Operating Procedure 64-105, "Contract Document Review," provides a contract modification checklist addressing actions required for out of scope contract modifications. Additionally, the Director stated that the MOU between AMIC and AFCENT was signed on May 6, 2010, and attached to the MOU are five operating instructions that cover the roles and responsibilities of WRM contracting and program management, funding, quality assurance, logistics, and civil engineering.

## ***Our Response***

The Director's comments were responsive and met the intent of the recommendation. No additional comments are required.

### **B.4. We recommend that the Director of Logistics, U.S. Air Forces Central, coordinate with the Director, Acquisition Management and Integration Center, Air Combat Command, to develop and implement written standard operating**

**procedures for U.S. Air Forces Central that document the requirements review process and the contract funding process for contract FA4890-08-C-0004.**

### ***AFCENT Comments***

The Commander, U.S. Air Forces Central, agreed with the recommendation, stating that AFCENT will collaborate with AMIC to establish standard operating procedures that document the requirements review and contract funding process for contract FA4890-08-C-0004. The Director of Installations and Mission Support, Air Combat Command, responded in the Air Combat Command's comments that the MOU between AMIC and AFCENT was signed on May 6, 2010, and attached to the MOU are five operating instructions that cover the roles and responsibilities of WRM contracting and program management, funding, quality assurance, logistics, and civil engineering.

### ***Our Response***

The Commander's comments were responsive and met the intent of the recommendation. No additional comments are required.

## **Appendix: Scope and Methodology**

We conducted this performance audit from July 2009 through May 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We evaluated whether Air Force officials awarded and were providing oversight of the AFCENT WRM contract (contract FA4890-08-C-0004) in accordance with Federal and DOD policies. We conducted interviews and collected, reviewed, and analyzed documents from AMIC, AFCENT, and DCAA, dated March 2005 through December 2009.

We reviewed the WRM basic contract, awarded to DynCorp on June 11, 2008, and 41 contract modifications dated September 2, 2008, through September 30, 2009. We reviewed pre-award documentation including the acquisition plan, the source selection plan, market research reports, the contract solicitation, pre-award briefings, DCAA reports, competitive range determinations, the proposal analysis report, and the source selection decision document. We reviewed contract file documentation including DynCorp proposals; Government proposal reviews; funding documents; price negotiation memoranda; award fee documentation, including CARs and award fee determinations; AFCENT base closure procedures; and e-mail correspondence.

We interviewed personnel at the Air Force Program Executive Office for Combat and Mission Support, AMIC headquarters, and AFCENT headquarters. We interviewed the Program Lead, Air Force Program Executive Office for Combat and Mission Support. We interviewed the AMIC Director and the AMIC Deputy Director. We interviewed the AFCENT Director of Logistics and the AFCENT Deputy Director of Logistics. We interviewed the WRM program manager, the WRM officer, members of the WRM SSET, WRM functional area managers, AMIC and AFCENT financial personnel, and other WRM program management personnel. We interviewed the acting WRM procurement contracting officer, a WRM administrative contracting officer, the WRM quality assurance manager, and other WRM contracting personnel. We also interviewed the branch manager and the supervisory auditor at DCAA's Fort Worth, Texas, branch office.

We reviewed applicable contracting regulations, including the United States Code, the FAR, the Defense Federal Acquisition Regulation Supplement, and Air Force guidance.

### **Use of Computer-Processed Data**

We did not use computer-processed data to perform this audit.

## **Prior Coverage**

During the last 5 years, the DOD Inspector General and the Air Force Audit Agency have issued two reports discussing AFCENT's WRM program. Unrestricted DOD Inspector General reports can be accessed at <http://www.dodig.mil/audit/reports>. Air Force Audit Agency reports are not available on the Internet.

### ***DOD Inspector General***

DOD Inspector General Report No. D-2009-108, "U.S. Air Forces Central War Reserve Materiel Contract," September 23, 2009

### ***Air Force***

Air Force Audit Agency Report No. F2009-0003-FD3000, "United States Air Forces Central War Reserve Materiel," January 7, 2009

# Air Combat Command Comments



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS AIR COMBAT COMMAND  
LANGLEY AIR FORCE BASE, VIRGINIA

MAY 06 2010

MEMORANDUM FOR SAF/FMP

FROM: HQ ACC/A7  
129 Andrews Street, Suite 102  
Langley AFB VA 23665-2769

SUBJECT: DoD IG Draft Report: Oversight of the U.S. Air Forces Central War Reserve  
Materiel Contract (Project No. D-2009-D000AS-0264.000)

1. On behalf of COMACC, HQ ACC/A7 provides the following response to subject DoD IG draft report Recommendation 1:

**Recommendation 1:** [DoD IG] recommends that the Commander, Air Combat Command direct [AMIC] and [USAFCENT] officials to execute a formal, written memorandum of understanding that defines all roles, responsibilities, and the accountability of the two organizations regarding the War Reserve Materiel program.

**Management Comments:** Concur with intent, however COMACC direction is not required. The Memorandum of Understanding (MOU) between AMIC and USAFCENT was signed on 6 May 10. The MOU defines the roles, responsibilities and accountability of both organizations as they relate to the USAFCENT War Reserve Materiel (WRM) Program and the AMIC-managed USAFCENT WRM contract. Attached to the MOU are five (5) Operating Instructions (OI) which further detail the roles and responsibilities of AMIC and USAFCENT with regard to the WRM contract. These OIs include Contract & Program Management, Quality Assurance, Funding, Logistics and Civil Engineer. COMPLETED.

2. [REDACTED] ACC AMIC, has notified ACC/FMFPM [REDACTED] and the DoD IG team [REDACTED] that the MOU has been signed. [REDACTED] agreed that an ACC/A7 response to Recommendation 1 (on behalf of ACC/CC) is an acceptable response to this recommendation.

3. I sincerely appreciate your staff's assistance on this audit. Please direct any questions to [REDACTED] ACC AMIC/PMSW, commercial [REDACTED].

W/C

DAVE C. HOWE  
Brigadier General, USAF  
Director of Installations and Mission Support

cc:  
HQ ACC/DS  
USAFCENT/A4  
ACC AMIC/DR

*Global Power For America*



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS AIR COMBAT COMMAND  
LANGLEY AIR FORCE BASE, VIRGINIA

APR 28 2010

MEMORANDUM FOR SAF/FMP

FROM: HQ ACC/A7  
129 Andrews Street, Suite 102  
Langley AFB VA 23665-2769

SUBJECT: DoD IG Draft Report: Oversight of the U.S. Air Forces Central War Reserve  
Materiel Contract (Project No. D-2009-D000AS-0264.000)

1. HQ ACC/A7 has reviewed the subject Draft Report and provides the following response to the DoD IG's recommendations:

**Recommendation 3.a:** Develop internal controls to identify scope changes and ensure that significant proposed alterations to contract FA4890-08-C-0004 are reviewed as potential scope changes.

**Management Comment:** Existing policies, guidance and internal controls already adequately reinforce that COs exercise sound judgment in contract actions, to include scope determinations related to post-award modifications. FAR 1.602-2 charges a CO to ensure "performance of all necessary actions for effective contracting" while being "allowed wide latitude to exercise business judgment." It additionally charges a CO to request and consider the advice of specialists in doing so. AFFARS 5343.102-90 addresses contract scope, providing that COs "must assess scope when modifying contracts." Contract actions undergo a disciplined review process dependent upon complexity and dollar value of the action, and this process is governed by AFFARS 5301.90, Clearance. An AMIC Standard Operating Procedure, SOP 64-105, provides in the modification checklist an item addressing additional actions required for out-of-scope modifications. These requirements are consistent with AFFARS 5343.102-90. Completed.

**Recommendation 3.b:** Require the contracting officer to properly compete or approve all changes to contract FA4890-08-C-0004 that are determined to be beyond the scope of the original competition.

**Management Comment:** Concur. All changes determined to be beyond the scope of the original competition will be accomplished in accordance with FAR Part 6 as required. Completed.

**Recommendation 3.c:** Coordinate with the Director of Logistics, U.S. Air Forces Central, to develop and implement written standard operating procedures for the Acquisition and

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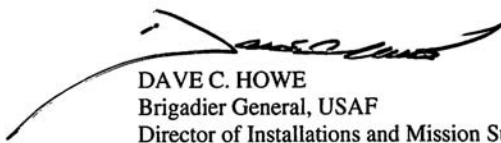
Management Integration Center that document the requirements review process, the contract funding process, and the invoice review process for contract FA4890-08-C-0004.

**Management Comment:** Concur. AMIC and USAFCENT/A4 have been collaborating on a formal Memorandum of Understanding (MOU) and Operating Instructions (OIs) and expect completion/signatures by Jun 10. The MOU details roles, responsibilities and accountability of USAFCENT and AMIC regarding management of the WRM Contract and management of the USAFCENT WRM Program. The five (5) OIs cover Contracting & Program Management, Funding, Quality Assurance, Logistics, and Civil Engineer. These OIs detail the specific roles, responsibilities and procedures in specific functional areas required to manage the WRM contract. Open. ECD: 1 Jun 2010.

**Recommendation 3.d:** Removed per guidance from DoD IG team.

2. Additionally, ACC/A7 requests a clarification within the Draft Report. Background paragraph 3 (page 1) states "*AMIC is responsible for administering the new WRM contract and managing the WRM program.*" AMIC is indeed responsible for administration of the new WRM contract, including Program Management in the context of contract administration. This is clearly different than management of the WRM program as a whole. The USAFCENT War Reserve Materiel (WRM) Program encompasses much more than the WRM contract. Roles and responsibilities for managing a WRM program are outlined in AFI 25-101. USAFCENT, as a Component Command, is responsible for management of the USAFCENT WRM Program. As such, USAFCENT/A4 is a principal member of the Air Force WRM Executive Review Board and the Basic Expeditionary Airfield Resources (BEAR) Integrated Management Team. AMIC's role is limited to administering the WRM Contract to meet USAFCENT's requirements within the scope of the WRM Contract and in support of the greater USAFCENT WRM Program.

3. I sincerely appreciate your staff's assistance on this audit. Please direct any questions to [REDACTED] ACC AMIC, [REDACTED]

  
DAVE C. HOWE  
Brigadier General, USAF  
Director of Installations and Mission Support

Deleted  
Recommendation

Revised



# U.S. Air Forces Central Comments



**DEPARTMENT OF THE AIR FORCE**  
UNITED STATES AIR FORCES CENTRAL COMMAND (AFCENT)  
AL UDEID AIR BASE, QATAR

3 May 2010


MEMORANDUM FOR SAF/FMP

FROM: USAFCENT/CC  
APO AE 09309

SUBJECT: Report of Audit, Oversight of the U.S. Air Force Central Command (USAFCENT)  
War Reserve Materiel Contract, Project D2009-D000AS-0264.000

1. USAFCENT concurs with the results and recommendations of the Oversight of USAFCENT War Reserve Materiel Program and Exercise & Contingency Logistics Support Contract (FA4890-08-C-0004) audit. USAFCENT is in agreement with formalized standard operating procedures and internal control processes that were developed in concert with AMIC and USAFCENT resulting in improvement of administration and oversight of the new WRM contract. Specific management comments are attached.

2. Our contact for WRM matters is [REDACTED]  
USAFCENT/ A4, [REDACTED]

  
GILMARY M. HOSTAGE III  
Lieutenant General, USAF  
Commander

2 Attachments:

1. Management Comments
2. Draft Report of Audit

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**Department of Defense Inspector General  
Report of Audit, Oversight of the USAFCENT War Reserve Materiel Contract  
(Project D2009-D000AS-0264.000)**

**Recommendation.**

2. We recommend that the Commander, U.S. Air Forces Central, require the fee determining official to reference the award fee plan for contract FA4890-08-C-0004 in documenting the rationale for final award fee determinations that differ from the contract award fee board's recommendations, in accordance with the Air Force Award Fee Guide.

**AFCENT/CC Comments:**

2. Concur. AFCENT/A4 will:

- a. Ensure the Commander, U.S. Air Forces Central, requires the fee determining official to reference the award fee plan for contract FA4890-08-C-0004, if/when documenting the rationale for final award fee determinations that differ from the contract award fee board's recommendations. (Recommended Closure: 7 April 2010)

**Recommendation**

4. We recommend that the Director of Logistics, U.S. Air Forces Central:

- a. Coordinate with the Director, Acquisition Management and Integration Center, Air Combat Command, to develop and implement written standard operating procedures for U.S. Air Forces Central that document the requirements review process and the contract funding process for contract FA4890-08-C-0004.
- b. Develop and implement annual training for War Reserve Materiel personnel involved in executing the standard operating procedures developed in response to Recommendation 4.a.

**AFCENT/A4 Comments:**

4a. Concur. AFCENT/A4 will:

- a. In collaboration with the Acquisition Management and Integration Center, acquire already established standard operating procedures that document the requirements review and contract funding process for contract FA4890-08-C-0004 from AMIC. Estimated Completion Date: 1 June 2010.

4b. Concur. AFCENT/A4 will:

- b. Implement the training initiative, in response to Recommendation 4.a., be conducted for all War Reserve Materiel personnel involved during the War Reserve Materiel Review Board and/or Program Management Review Board conducted semi-annually. Estimated Completion Date: 1 June 2010.

**Attachment 1**

Renumbered as  
Recommendation  
B.4

Deleted  
Recommendation



# Inspector General Department of Defense